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STATISTICAL BULLETIN

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Highlights

- CONSUMER DEMAND REMAINS EXPANSIVE
- EXCEPT FOR HOME BUYING
- INDUSTRIAL ACTIVITY IS STILL IMPROVING
- BUT NEW ORDERS REMAIN WEAK
- FINANCIAL MARKET TURBULENCE VERY LIKELY TO WEAKEN BOTH CONSUMER AND BUSINESS CONFIDENCE—AND TO RAISE
- SERIOUS QUESTIONS ABOUT GROWTH PROSPECTS
- OUTLOOK • SLUGGISH FOURTH QUARTER, FOLLOWED BY GROWTH SLOWDOWN IN FIRST HALF OF 1988

Volume 20, No. 11, November, 1987

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The Conference Board

THE CONFERENCE BOARD'S STATISTICAL BULLETIN COMMENTARY

OVERVIEW: Growth prospects for the U.S. economy have changed dramatically in the wake of October's stock market tumble. From November 1986 through October 1987, the median **Economic Forecast** for real GNP growth—from the fourth quarter of 1987 to the fourth quarter of 1988—was about 2.5%, annualized. After the market tumble, that forecast was drasticaly scaled down to 1.1 percent. That has to be a record one-month turnaround.

The change in outlook is severe and diffuse. Consumer buying of homes, cars, appliances and furniture is likely to decline over the next four quarters. The in cipient recovery in business spending on equipment is likely to be wiped out. Moreover, whether the budget deficit reduction talks result in less spending and/or more taxes, the impact on the pace of economic activity will be negative. Finally, there is concern about dollar depreciation or less capital inflow, which might put upward pressure on interest rates.

DOMESTIC MARKET MONITOR

Reports on labor-market activity in October were favorable: Jobs rose in both goods and service production; total hours worked increased; labor force participation rose; and hourly pay rates picked up.

One problem in interpreting the labor statistics is that the degree of improvement over the last few months is almost uniformly stronger in the establish ment survey than in the household survey. Regardless of which set of numbers contains the real story, however, it tells more about where the economy has been than about where it is headed.

The consensus of the **Economic Forecasts** is that job growth will slow, perhaps sharply, over the next six to 12 months. The upset in financial markets suggests that employment in financial services is likely to fall. A decline in the growth of consumer buying and/or an early end to the recovery in business investment may also spell a loss of jobs in goods production.

INCOME: The rise in hourly pay has been vigorous. The average rate in private industry was 11 cents higher in October than three months earlier, in contrast with a gain of a penny or two per month over the first half of 1987. If the revised Economic Forecasts are on target, the rise may end quickly, pulling one prop out from under the growth of consumer buying.

Wage-income growth has been robust due to higher hourly rates, more workers and a longer workweek. Wages in commodity-producing industry were 1.5% higher in September than three months earlier. Elsewhere, wages were 2.2% higher. Nonwage-income growth has also been strong. Dividends and interest income, however, are likely to slow over the next few months.

The rise in consumer borrowing has been significantly lower this year than in the last two years. The difference is even more pronounced when auto debt is subtracted. Consumers, then, appear to have already cut back on financed purchasing.

Before the stock market crash, consumer attitudes were at a 15 year high. Moreover, a flash survey taken in the wake of the crash showed little change in the level of consumer confidence. If labor markets begin to weaken, however, consumer attitudes are likely to drop in tandem.

SPENDING: The rise in consumer buying has been remarkably strong and long lived. Retail sales, less autos, were 0.8% higher in October than three months earlier. Spending on durable goods, except for cars, was 1.7% higher. The expectation is that sales are likely to decline as consumers turn more cautious.

Domestic **Automobile Sales** slowed in October, after a spate of promotion-induced buying in August and September. Despite lower interest rates, domestic car sales are likely to remain close to six million units per ten-day period over the near term.

CONSTRUCTION: Were it not for the recent financial market agitation, a case could be made for recovery in home buying. Single-family home sales were 6% higher in August than three months earlier. Single-unit starts were 7.4% higher. If consumer attitudes are shaken by events on Wall Street and Tokyo, household willingness to incur long-term, major financial commitments such as buying a new home may remain weak despite falling mortgage rates.

Revised data also show a recovery in nonresidential construction. Office, store and factory building was 2.6% higher in September than three months earlier. That brings the level of activity back to the pace of a year ago. The recovery may prove short lived, however.

PRODUCTION: The pre-crash trend in industrial output was strongly expansionist. Output of raw material was 1% higher in September than three months earlier. Semifinished goods were up 1 percent. Finished consumer goods, business equipment, and defense- and space-related output were also on an upward trend. Moreover, hours worked rose sharply in October, suggesting another big jump in in-

Ken Goldstein, Editor

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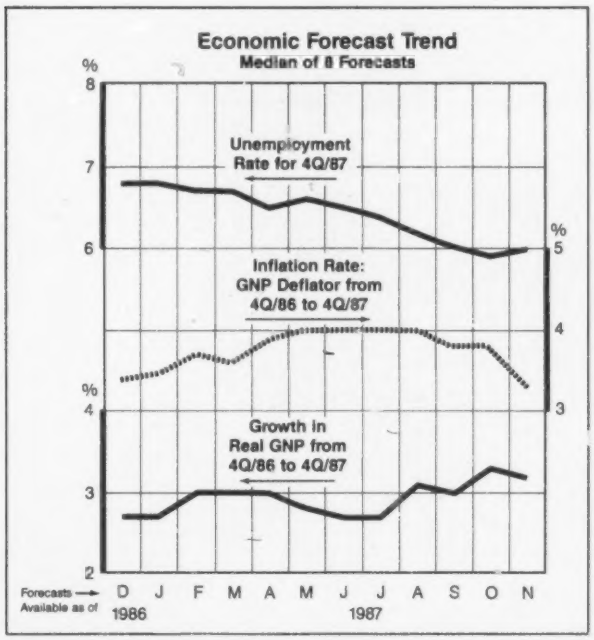


dustrial output. These gains, which have been related to the rising pace of consumption and investment, may also fall victim to altered consumer and business confidence. There were already some signs that the recovery in busines investment was running into difficulty before the crash.

One reason why industrial output gains and increases in hours worked have been strong in recent months is because old orders were being filled much faster than new orders were being placed. New orders for durable goods, except defense related, were no higher in September than three months earlier but shipments were 2.8% higher. These numbers suggest that, even without financial turmoil, weak new orders might have begun to erode the pace of industrial activity. Indeed, orders for nondefense capital goods were 2.8% lower in September.

INVENTORY: Another reason for the recent pickup in output was the ongoing buildup of stocks. Total inventory, except for cars at the retail level, was only 0.9% higher in August than three months earlier, while industrial sales were 2.2% higher. Thus, the already lean Inventory-to-Sales ratio was being eviscerated. Suppliers apparently increased production to replenish stocks. But, as in other areas, if confidence weakens, the sales pace will subside, resulting in higher inventories.

INFLATION: In October, higher hourly pay rates were threatening to raise labor costs. And rising raw industrial material prices were adding to nonlabor costs. After the market crash, however, that picture began to change. For example, raw metal prices rose 1.2% the week before the crash but dropped 3.4% the following week.

Moreover, raw material price increase were not translating into higher wholesale prices. In October, raw food prices fell for the fifth straight month; raw energy prices fell for the seventh month. Prices of finished goods rose 0.5% in October, after declining by 0.2% in both August and September. The consensus of the **Economic Forecasts** (before the crash) was for a 5% rise in consumer prices by the fourth quarter of 1988. Afterward, the projection was trimmed to 4.3 percent.

INTERNATIONAL MONITOR

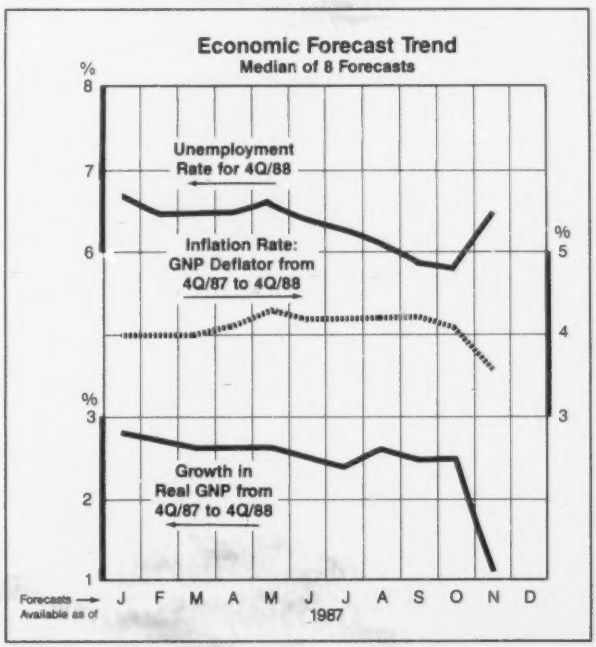
Total imports dipped in both August and September, after a surge over the prior two months. To some degree, that pattern reflects changes in shipments of energy and food. The dollar volume of manufactured imports actually rose in September, despite declines in both electrical machinery and in car imports.

Imports from developed countries were no higher in September than August, despite a significant rise in shipments from Canada. Total shipments from Japan fell, no doubt reflecting lower car imports.

Total exports from the U.S. have not varied much over the last seven months, which implies that recent changes in the trade balance have largely resulted from changes in imports. Exports of manufactured goods were higher in September than in August—shipments of machinery and transport equipment were notably higher.

Exports to developed countries rose in September, as a result of improved trade with Canada and Western Europe—but not with Japan. Exports to developing countries were basically unchanged.

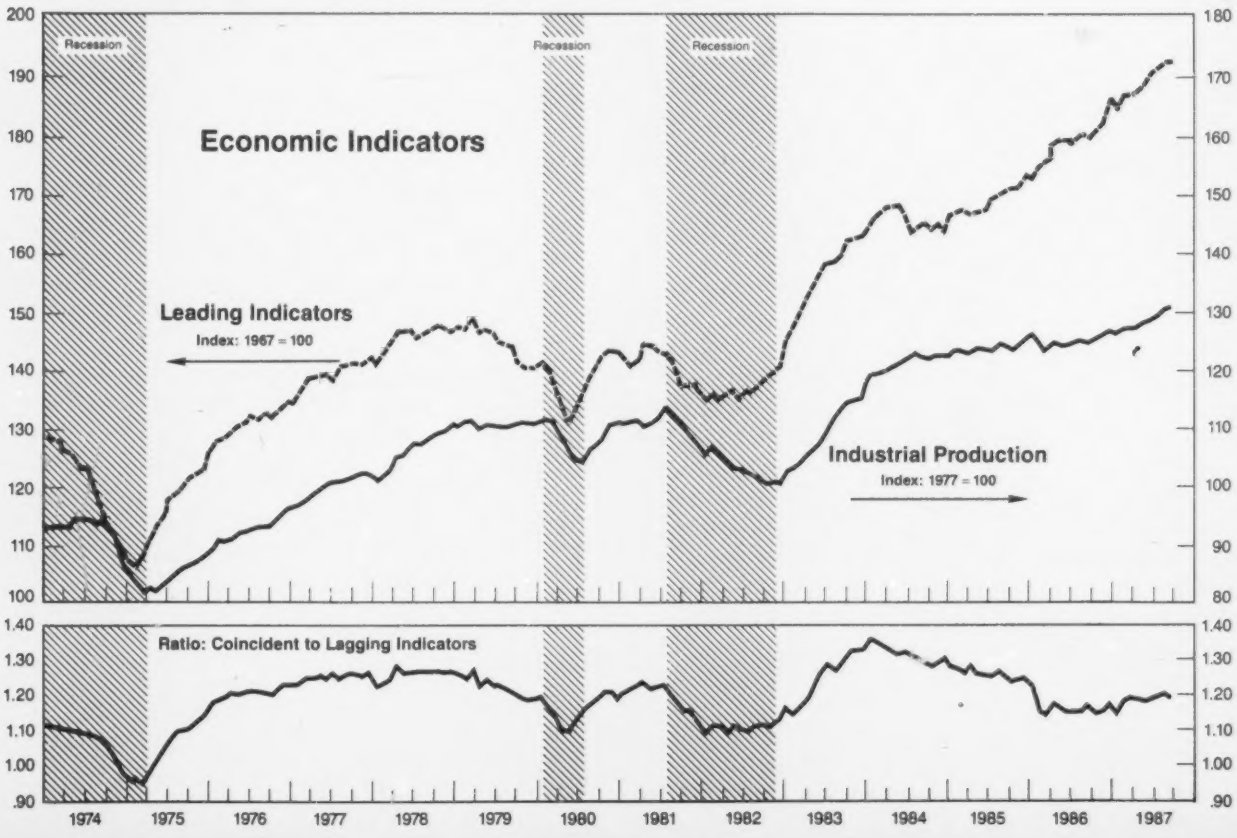
Ken Goldstein
November 13, 1987



STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over Latest Three Months	Change from Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	Sept.	X			0.9%	7.0%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	Sept.			X	– 1.4%	9.4%
New orders, nondefense capital goods (deflated)	Sept.		X		– 0.5%	10.1%
*New business formation	Sept.	X			3.7%	2.9%
*Housing permits	Sept.			X	– 1.0%	–10.9%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Sept.		X		– 1.0%	3.3%
*Change in inventory, on hand & order (deflated)	Aug.			X	– 5.3%	22.3%
Purchasing agents' buying policy	Oct.	X			4.0%	3.0%
*Vendor performance, reported slower deliveries	Sept.	X			12.0%	17.0%
Industrial raw materials prices	Oct.	X			3.9%	25.4%
*Change in sensitive material prices	Sept.		X		0.0%	2.1%
Sensitive Financial Flows						
*Money balance (M2 deflated)	Sept.		X		0.3%	0.8%
Change in business loans	Sept.	X			43.9%	39.1%
*Change in credit outstanding	Aug.		X		0.7%	– 3.2%
Change in consumer installment debt	Aug.		X		59.7%	–11.4%
Profitability						
Total corporate profits, after tax (deflated)	2nd.Q	X			3.6%	6.9%
*Common stock prices	Oct.			X	–11.8%	15.2%
Marginal Employment Adjustments						
*Average workweek, mfg.	Oct.		X		0.0hr	0.9hr
*Initial unemployment claims (inverted)	Sept.	X			12.5%	22.5%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington. D.C.: Government Printing Office) June, 1977.
*These twelve series make up the Composite Leading Index charted below.



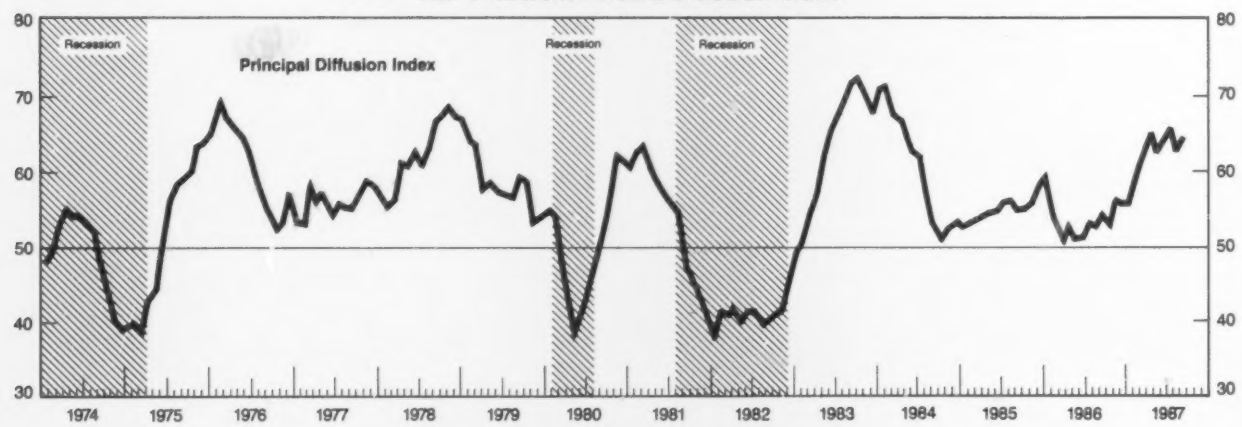
CONFERENCE BOARD DIFFUSION INDEXES

DIFFUSION INDEXES	1986 Sept.	1987 Jun	Jul.	Aug.	Sept.(e)
Principal Diffusion Index	52.9	63.5r	65.6r	62.9r	64.1
Auxillary Diffusion Index	52.2	56.3r	56.9r	41.1r	54.1
Industrial Group	46.3	60.2r	63.5r	58.8r	59.0
Nonindustrial Group	59.5	66.8	67.7	66.9r	69.2
Sense of Diffusion	0	1	1	1	1
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	50.4	70.1r	75.6r	65.0r	60.3
Labor	46.8	52.9	56.5	53.8	54.5
Miscellaneous	39.1	63.5	62.8	62.2	68.6
Nonindustrial Subgroups					
Prices	64.1	88.5	91.7	86.5	81.4
Consumer	77.4	72.6	71.8	76.5	75.6
Building	40.4	45.5	46.2	50.0r	58.0
Miscellaneous	51.3	60.7	62.0	55.6r	62.2

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

e-estimate r-revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1984 Nov.	1984 Feb.	1985 May	1985 Aug.	1985 Nov.	1985 Feb.	1986 May	1986 Aug.	1986 Nov.	1986 Feb.	1987 May	1987 Aug.
	Score (scale 0-100)											
Measure of Business Confidence	57	61	52	51	55	61	61	50	51	55	55	59
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	57	62	48	45	53	63	61	44	50	56	55	62
2. Expectations for Economy, Six Months Ahead	57	61	53	53	56	62	62	52	51	54	53	56
3. Expectations for Own Industry, Six Months Ahead	58	61	55	54	56	59	60	54	53	56	56	58

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question,and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

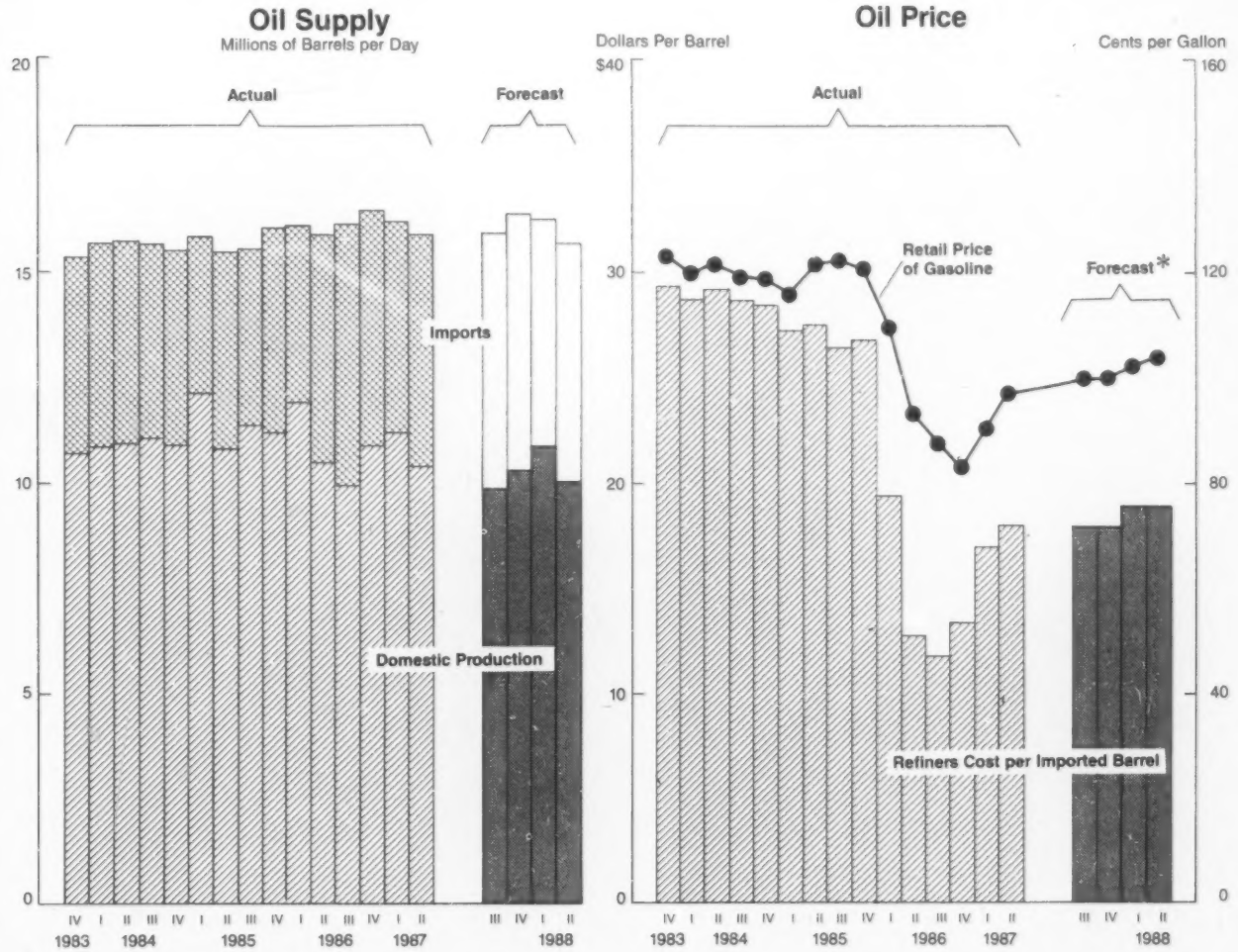
Billions of Dollars, Seasonally Adjusted

	1985	1986			1987		Percent Change From Previous Year	
	IV	I	II	III	Ir	IIp	Actual	Estimate
1000 LARGEST MANUFACTURING FIRMS								
New appropriations	27.190	23.386	19.991	20.203	21.441	26.235	31.2	14.7
Capital expenditures	26.336	23.566	24.309	22.452	20.801	22.897	- 5.8	5.5
Change in appropriations backlog*	-2.594	-2.368	-6.447	-5.060	-0.749	- 2.702		
Durable Goods								
New appropriations	12.005	11.613	9.578	10.051	9.746	13.232	-38.1	16.1
Capital expenditures	12.676	11.479	11.880	12.186	11.124	11.288	- 5.0	1.2
Change in appropriations backlog*	-3.063	-1.582	-3.824	-3.986	-2.070	+1.574		
Nondurable Goods								
New appropriations	15.185	*1.773	10.413	10.152	11.695	13.003	24.9	13.4
Capital expenditures	13.660	12.087	12.429	10.266	9.677	11.609	- 6.6	10.3
Change in appropriations backlog*	+0.469	-0.786	-2.623	-1.074	+1.522	+1.108		
ELECTRIC & GAS UTILITIES								
New appropriations	5.093r	8.692r	9.084	5.094	5.044		+ 3	
Capital expenditures	9.078r	8.417r	7.425	8.115	7.839		- 2.0	
Change in appropriations backlog*	-4.984r	-0.261r	+1.773	-7.325	-0.028			

Available on request: Historical data from 1953 (manufacturing) and from 1958 (utilities), and quarterly reports containing text and data for 17 separate manufacturing industries, electric and gas utilities.

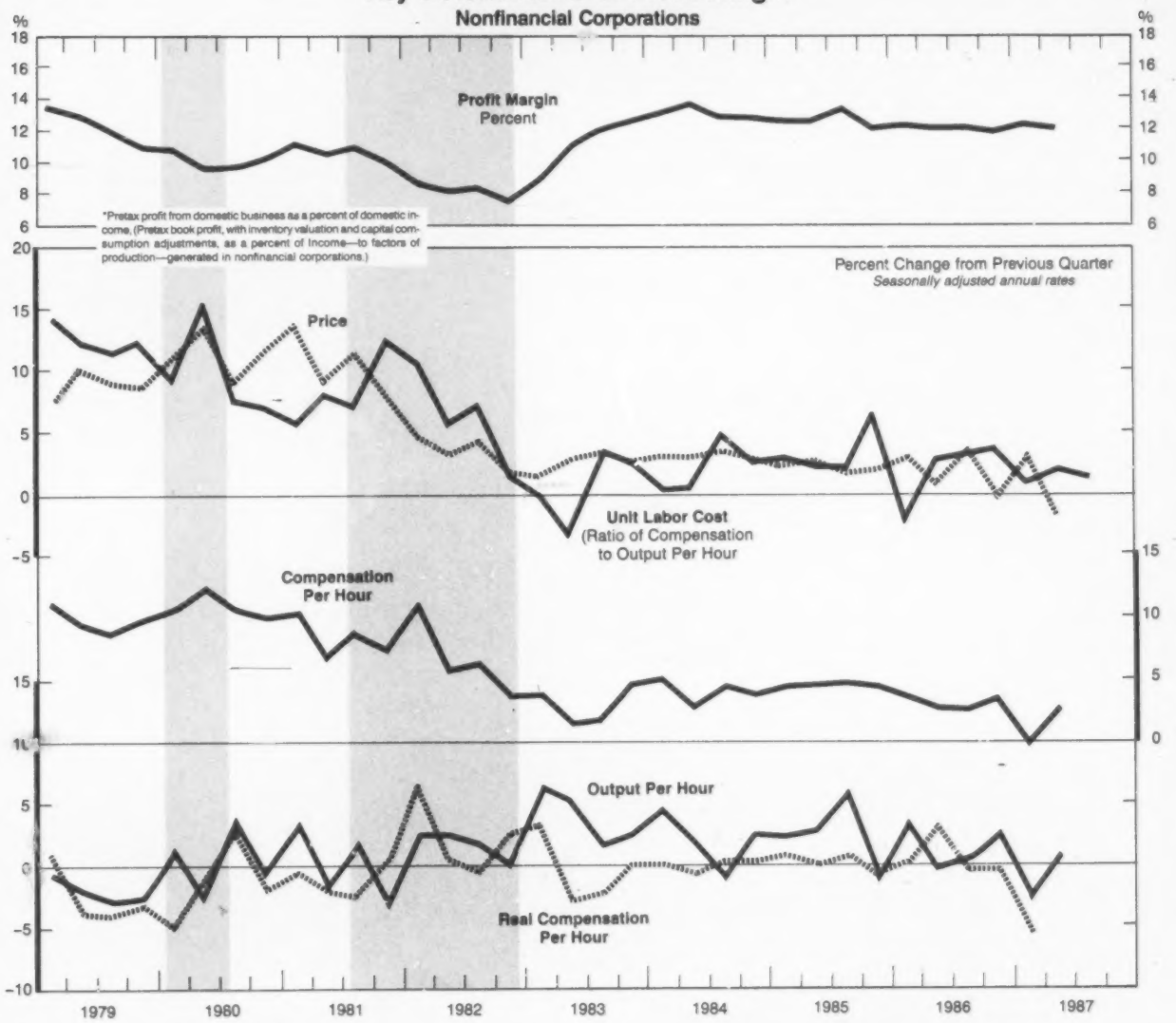
r—revised p—preliminary

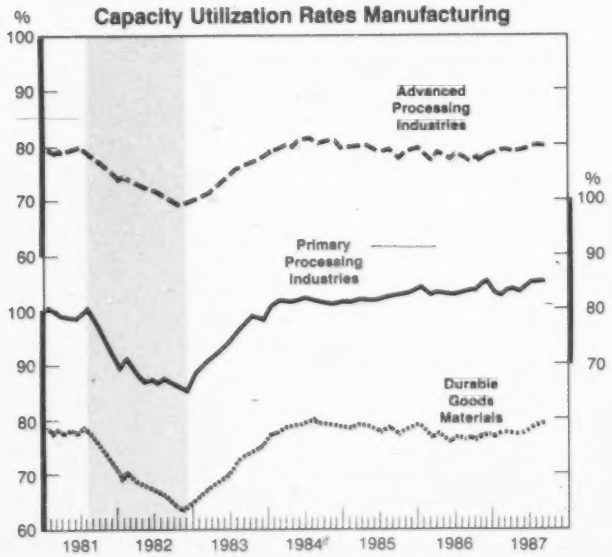
* Change in Backlog = New Appropriations - (Expenditures + Cancellations and Other Adjustments).



* Source of Forecast is The Energy Information Administration, Department of Energy.

Key Determinants of Profit Margin





ECONOMIC FORECASTS

			U.C.L.A.[1] Business Forecasting Project		Merrill Lynch[1] Economics Inc.		E.I. duPont[1] de Nemours & Co.		Georgia State University[1]	
Date of Forecast			*Oct., 1987*		*Oct., 1987*		*Oct., 1987*		*Oct., 1987*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	**1987**	**III**	**$4512.0**	**6.2%**	**$4512.0**	**6.2%**	**$4512.0**	**6.2%**	**$4512.0**	**6.2%**
Forecast		IV	4531.1	1.7	4584.9	6.6	4603.1	8.3	4578.2	6.0
	1988	I	4476.0	-4.8	4618.3	2.9	4653.2	4.4	4629.3	4.5
		II	4496.7	1.9	4688.2	6.2	4713.1	5.2	4688.4	5.2
		III	4544.8	4.3	4765.0	6.7	4762.9	4.3	4754.3	5.7
		IV	4600.3	5.0	4848.3	7.2	4825.5	5.4	4796.1	3.6
	1989	I	4709.3	9.8	4939.9	7.8	4905.8	5.8	4804.1	0.7
		II	4828.1	10.5	4997.5	4.7	4986.8	5.8	4835.4	2.6
		III	4954.6	10.9	5043.6	3.7	5074.8	7.2	4899.2	5.4
		IV	5075.6	10.1	5145.3	8.3	5166.2	7.4	4985.5	7.2
	1987	Annual	4466.5	5.5	4479.9	5.8	4484.5	5.9	4478.3	5.7
	1988	Annual	4529.5	1.4	4730.0	5.6	4738.7	5.7	4717.0	5.3
	1989	Annual	4891.9	8.0	5031.6	6.4	5033.4	6.2	4881.1	3.5
Gross National Product Billions of Constant (1982) Dollars										
Actual	**1987**	**III**	**$3831.2**	**3.8%**	**$3831.2**	**3.8%**	**$3831.2**	**3.8%**	**$3831.2**	**3.8%**
Forecast		IV	3817.9	-1.4	3861.3	3.2	3852.0	2.2	3852.5	2.2
	1988	I	3740.6	-7.9	3847.2	-1.5	3852.0	0.0	3856.1	0.4
		II	3729.5	-1.2	3860.0	1.3	3860.0	0.8	3871.9	1.6
		III	3743.2	1.5	3875.8	1.6	3866.0	0.6	3893.8	2.3
		IV	3762.0	2.0	3895.1	2.0	3879.0	1.4	3889.9	-0.4
	1989	I	3820.9	6.4	3914.9	2.0	3909.0	3.1	3874.3	-1.6
		II	3885.7	7.0	3906.4	-0.9	3939.0	3.1	3871.4	-0.3
		III	3953.3	7.1	3890.6	-1.6	3974.0	3.6	3894.4	2.4
		IV	4014.2	6.3	3920.3	3.1	4011.0	3.8	3931.8	3.9
	1987	Annual	3804.1	2.4	3815.0	2.7	3812.7	2.7	3812.8	2.7
	1988	Annual	3743.8	-1.6	3869.5	1.4	3864.3	1.4	3877.9	1.7
	1989	Annual	3918.5	4.7	3908.1	1.0	3958.3	2.4	3893.0	0.4
Gross National Product deflator Index, 1982 = 100										
Actual	**1987**	**III**	**117.8**	**2.2%**	**117.8**	**2.2%**	**117.8**	**2.2%**	**117.8**	**2.2%**
Forecast		IV	118.7	3.1	118.7	3.3	119.5	6.0	118.8	3.7
	1988	I	119.7	3.3	120.0	4.5	120.8	4.4	120.1	4.2
		II	120.6	3.1	121.5	4.8	122.1	4.4	121.1	3.5
		III	121.4	2.8	122.9	5.0	123.2	3.6	122.1	3.4
		IV	122.3	2.9	124.5	5.1	124.4	4.0	123.3	4.0
	1989	I	123.3	3.2	126.2	5.6	125.5	3.6	124.0	2.3
		II	124.3	3.3	127.9	5.7	126.6	3.6	124.9	2.9
		III	125.3	3.5	129.6	5.4	127.7	3.5	125.8	2.9
		IV	126.4	3.6	131.2	5.1	128.8	3.5	126.8	3.2
	1987	Annual	117.4	2.9	117.4	3.0	117.6	3.1	117.4	3.0
	1988	Annual	121.0	3.1	122.2	4.1	122.6	4.3	121.6	3.6
	1989	Annual	124.8	3.2	128.7	5.3	127.2	3.7	125.4	3.1
Unemployment Rate										
Actual	**1987**	**III**		**6.0%**		**6.0%**		**6.0%**		**6.0%**
Forecast		IV		6.2		6.0		6.0		5.8
	1988	I		6.6		6.3		6.2		5.7
		II		7.2		6.4		6.3		5.9
		III		7.7		6.4		6.4		5.7
		IV		8.0		6.4		6.6		6.1
	1989	I		8.0		6.4		6.6		6.3
		II		7.7		6.6		6.5		6.5
		III		7.2		6.7		6.4		6.6
		IV		6.7		6.6		6.3		6.6
	1987	Annual		6.3		6.2		6.2		6.2
	1988	Annual		7.4		6.4		6.4		5.8
	1989	Annual		7.4		6.6		6.5		6.5

[1]Based on preliminary third quarter data.

ECONOMIC FORECASTS (continued)

The Conference Board[1]		Laurence H. Meyer Associates, Inc.[1]		Data Resources Inc.[1]		Wharton E.F.A. Inc.[1]				
Oct., 1987		*Oct., 1987*		*Oct., 1987*		*Oct., 1987*		*Date of Forecast*		
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Billions of Current Dollars		
$4512.0	**6.2%**	**$4512.0**	**6.2%**	**$4512.0**	**6.2%**	**$4512.0**	**6.2%**	**III**	**1987**	**Actual**
4570.0	5.2	4560.6	4.4	4568.8	5.1	4556.5	4.0	IV		Forecast
4589.0	1.7	4587.6	2.4	4616.0	4.2	4613.3	5.1	I	1988	
4632.0	3.8	4624.0	3.2	4663.2	4.2	4694.2	7.2	II		
4693.0	5.4	4689.6	5.8	4719.2	4.9	4770.3	6.6	III		
4765.0	6.3	4759.1	6.1	4789.0	6.0	4843.9	6.3	IV		
4784.0	1.6	4843.0	7.2	4881.0	7.9	4915.3	6.0	I	1989	
4831.0	4.0	4916.3	6.2	4973.8	7.8	4979.2	5.3	II		
4900.0	5.8	5002.1	7.1	5065.5	7.6	5057.1	6.4	III		
4973.0	6.1	5084.4	6.7	5160.8	7.7	5133.7	6.2	IV		
4476.2	5.7	4473.9	5.6	4475.9	5.7	4472.8	5.6	Annual	1987	
4669.8	4.3	4665.1	4.3	4696.9	4.9	4730.4	5.8	Annual	1988	
4872.0	4.3	4961.6	6.4	5020.3	6.9	5021.3	6.1	Annual	1989	
								Gross National Product Billions of Constant (1982) Dollars		
$3831.2	**3.8%**	**$3831.2**	**3.8%**	**$3831.2**	**3.8%**	**$3831.2**	**3.8%**	**III**	**1987**	**Actual**
3850.2	2.0	3851.8	2.2	3853.0	2.3	3844.4	1.4	IV		Forecast
3840.3	-1.0	3843.3	-0.4	3860.6	0.8	3860.1	1.6	I	1988	
3850.0	1.0	3848.3	0.0	3867.3	0.7	3875.5	1.6	II		
3869.1	2.0	3871.9	2.5	3880.8	1.4	3907.7	3.4	III		
3893.1	2.5	3900.0	2.9	3907.1	2.7	3938.9	3.2	IV		
3873.5	-2.0	3933.1	3.4	3942.4	3.7	3955.6	1.7	I	1989	
3883.1	1.0	3958.2	2.6	3977.4	3.6	3973.7	1.8	II		
3907.1	2.5	3990.3	3.3	4009.8	3.3	3991.6	1.8	III		
3931.3	2.5	4019.2	2.9	4044.9	3.5	4001.6	1.0	IV		
3812.2	2.7	3812.6	2.7	3812.9	2.7	3810.8	2.6	Annual	1987	
3863.1	1.3	3867.1	1.4	3879.0	1.7	3895.6	2.2	Annual	1988	
3898.8	0.9	3975.3	2.8	3993.6	3.0	3980.6	2.2	Annual	1989	
								Gross National Product deflator Index, 1982 = 100		
117.8	**3.4%**	**117.8**	**2.2%**	**117.8**	**2.2%**	**117.8**	**2.2%**	**III**	**1987**	**Actual**
118.7	3.2	118.4	2.2	118.6	2.8	118.5	2.6	IV		Forecast
119.5	2.7	119.2	2.8	119.6	3.4	119.5	3.4	I	1988	
120.3	2.8	120.2	3.2	120.6	3.4	121.1	5.5	II		
121.3	3.3	121.1	3.2	121.6	3.4	122.1	3.2	III		
122.4	3.7	122.0	3.0	122.6	3.2	123.0	3.0	IV		
123.5	3.7	123.1	3.7	123.8	4.1	124.3	4.2	I	1989	
124.4	3.0	124.2	3.5	125.1	4.1	125.3	3.4	II		
125.4	3.3	125.4	3.7	127.6	4.1	126.3	4.5	III		
126.5	3.5	126.5	3.7	127.6	4.0	128.3	5.1	IV		
117.4	2.9	117.3	2.9	117.4	2.9	117.4	2.9	Annual	1987	
120.9	3.0	120.6	2.8	121.1	3.2	121.4	3.5	Annual	1988	
125.0	3.4	124.8	3.5	125.7	3.8	126.1	3.9	Annual	1989	
								Unemployment Rate		
	6.0%		**6.0%**		**6.0%**		**6.0%**	**III**	**1987**	**Actual**
	6.0		6.0		6.0		6.0	IV		Forecast
	6.3		6.2		6.0		6.1	I	1988	
	6.5		6.6		6.0		6.2	II		
	6.6		6.7		6.1		6.1	III		
	6.7		6.8		6.2		6.0	IV		
	7.0		6.7		6.1		6.0	I	1989	
	7.1		6.7		6.0		6.2	II		
	7.1		6.6		5.7		6.3	III		
	6.9		6.5		5.7		6.4	IV		
	6.2		6.2		6.2		6.2	Annual	1987	
	6.5		6.6		6.1		6.1	Annual	1988	
	7.0		6.6		5.9		6.2	Annual	1989	

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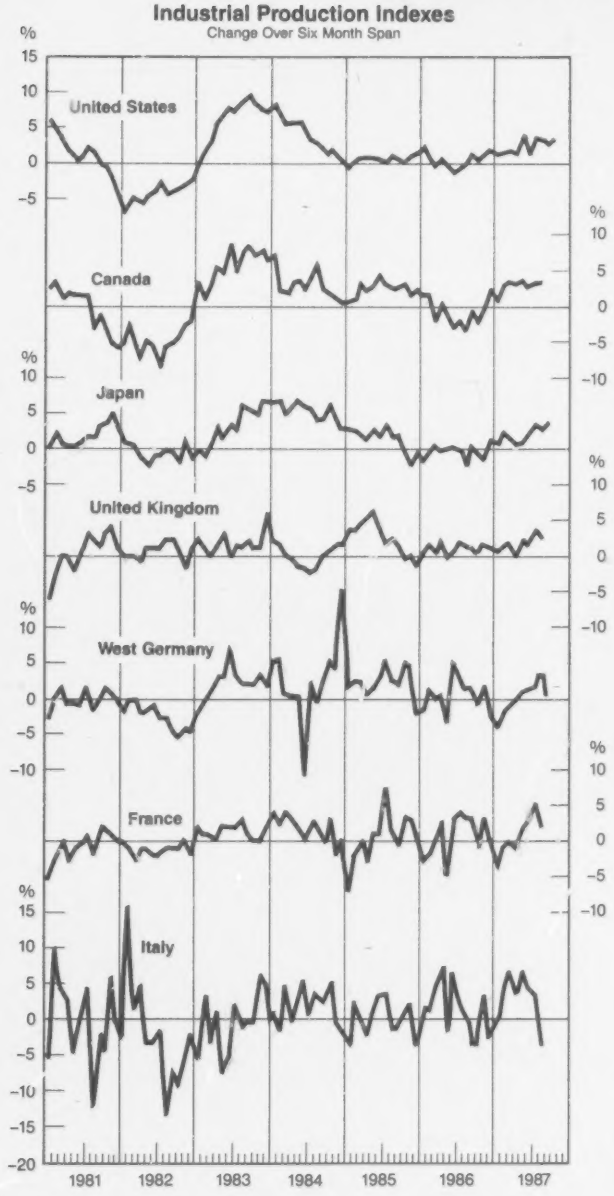
Selected International Comparisons

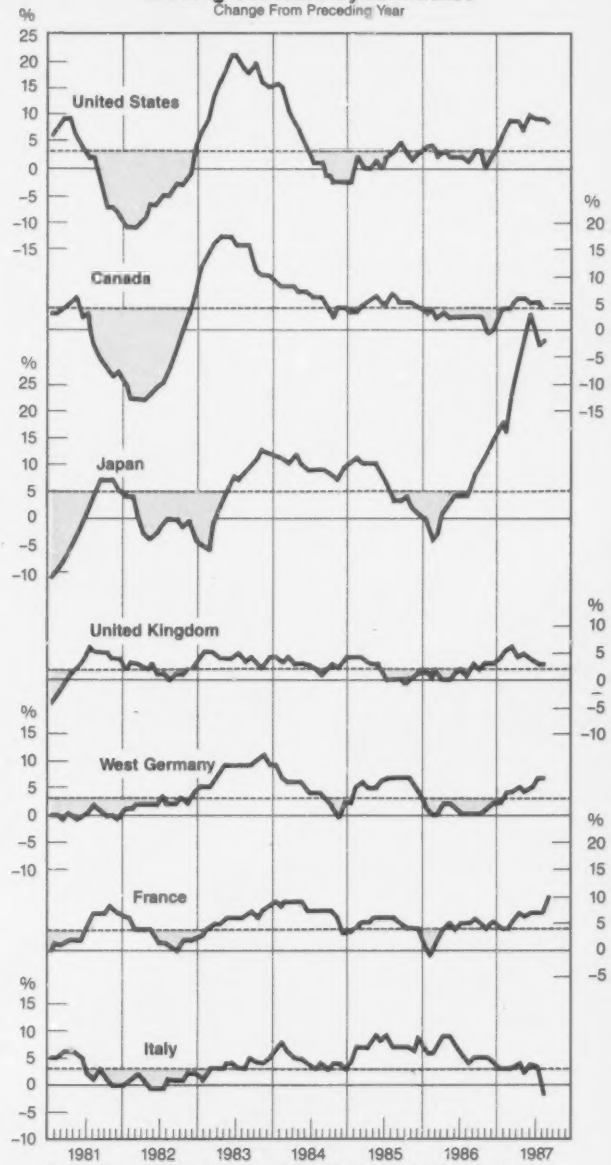
Industrial Production Indexes

Change Over Six Month Span



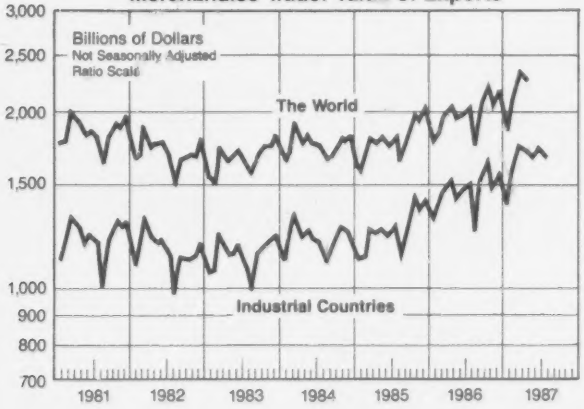
Leading Business Cycle Indexes

Change From Preceding Year

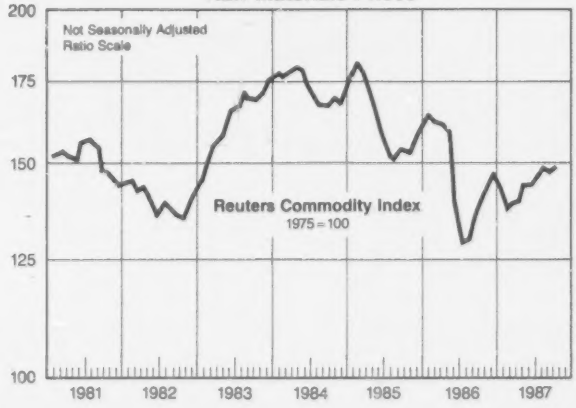


Source: Center for International Business Cycle Research, Columbia University

Merchandise Trade: Value of Exports

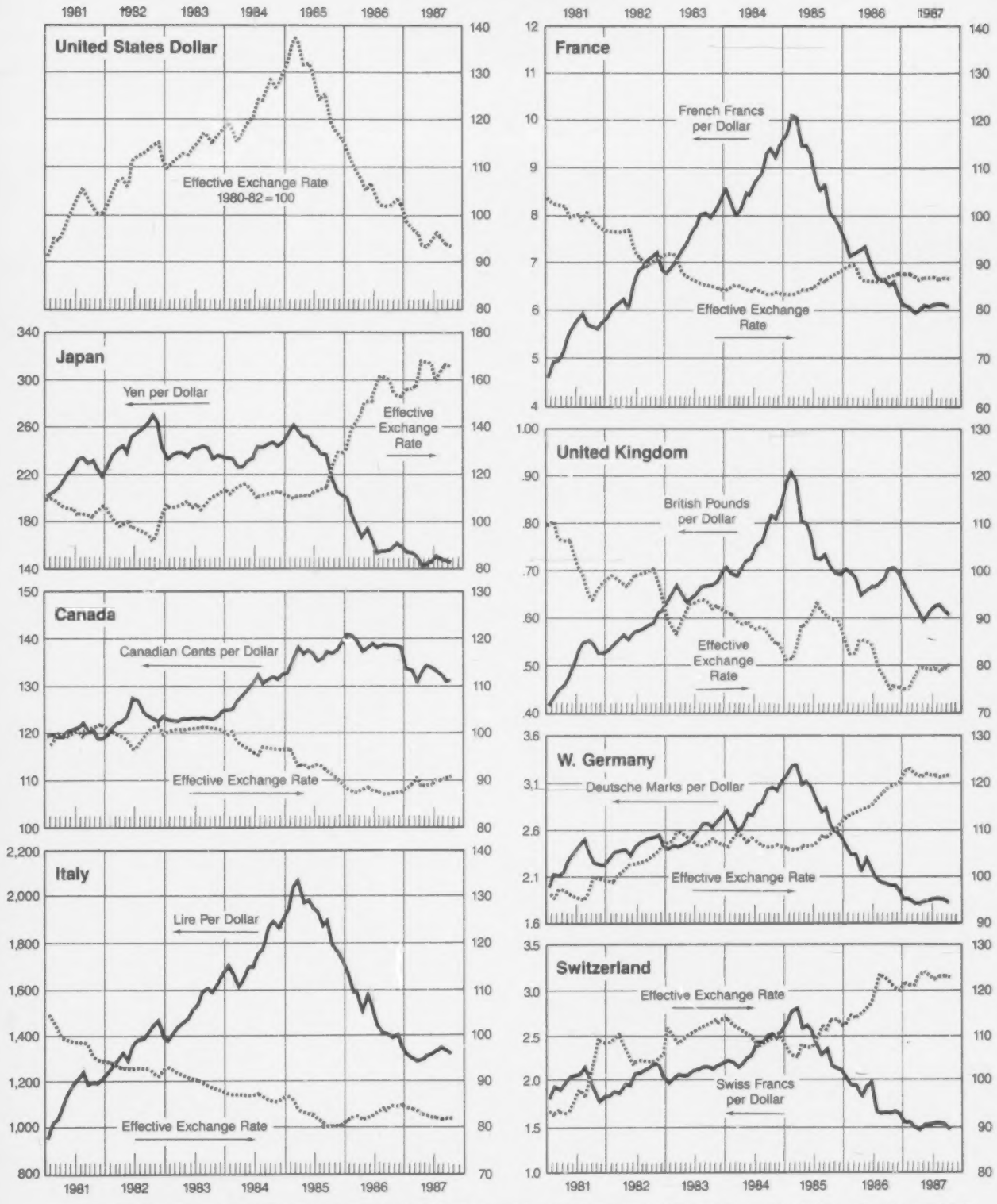


Raw Materials Prices



Foreign Exchange Rates

Indexes: 1980-82=100



Note.: Nominal Effective Exchange Rates: index numbers 1980-82=100. Each index shows a currency's trade-using averages weighted appreciation measured against fifteen other major currencies of daily noon spot exchange rates in New York and bilateral trade weights based on 1980 trade in manufactures.

Source: Morgan Guaranty Trust Co.

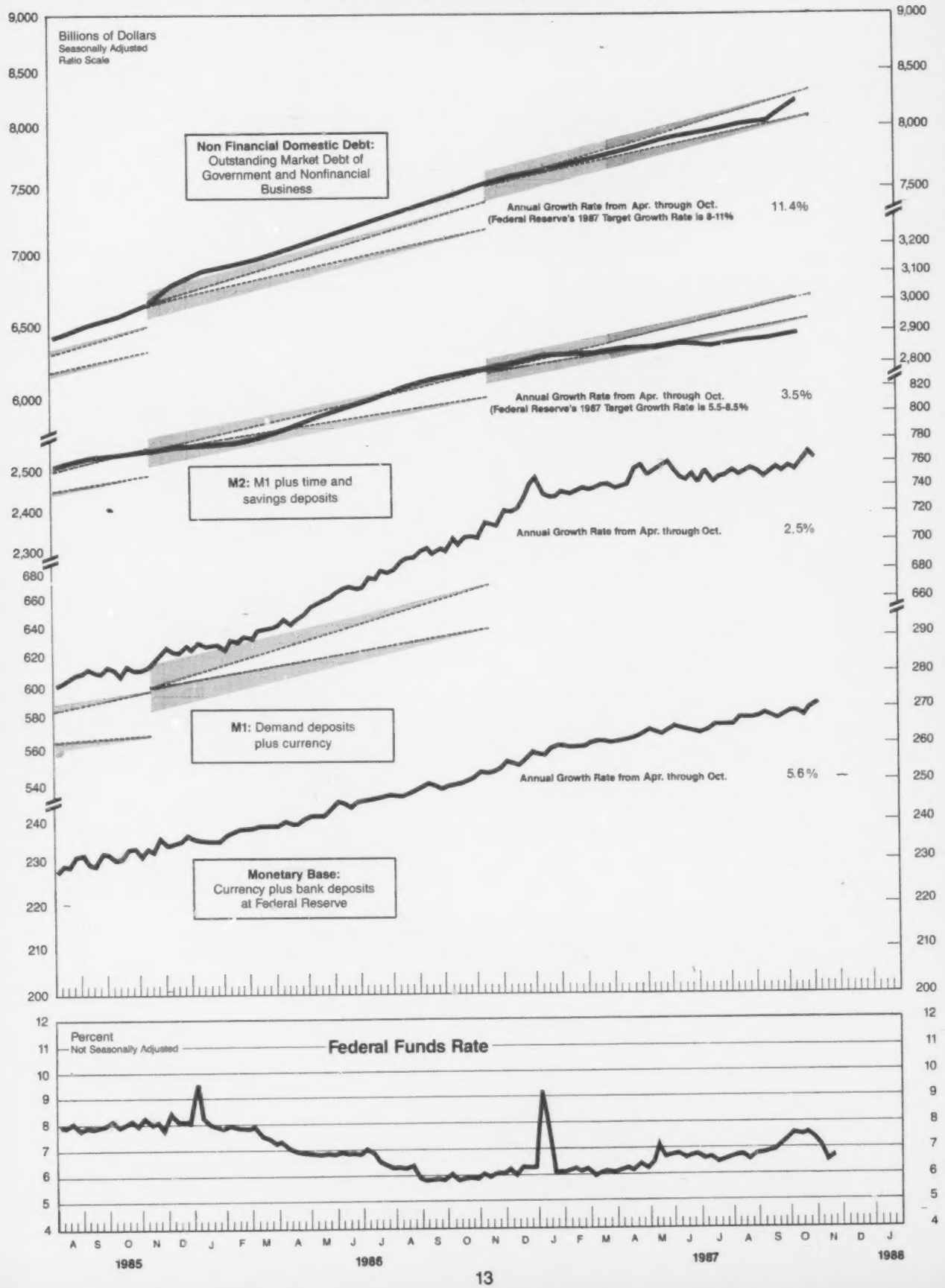
PERSPECTIVE ON THE FEDERAL BUDGET
(Billions of Current Dollars)

	Fiscal 1986	Fiscal 1987	Fiscal 1988	
	Actual	Administration's Latest Estimate	Administration's Latest Estimate	Congress's Latest Estimate
		(8/17/87)	(8/17/87)	(6/17/87)
Receipts	**$769.1**	**$858.5**	**$909.0**	**$ 918.1**
Outlays	**989.8**	**1,016.9**	**1,032.3**	**1,055.5**
Deficit	**–220.7**	**–158.4**	**–123.3**	**–137.4**
Receipts by source	**$769.1**	**$858.5**	**$909.0**	**$ 918.1**
Individual income	349.0	392.8	396.1	
Social security	283.9	301.9	331.8	
Corporate income	63.1	89.6	105.4	
Other receipts	73.1	74.2	75.7	
Outlays by function	**$989.2**	**$1,016.9**	**$1,032.3**	**$1,055.5**
National defense	273.4	282.2	297.5	289.5
Social security	269.0	281.3	293.2	302.4
Income security	119.8	124.0	124.8	131.5
Health	35.9	40.3	40.9	44.9
Education & manpower	29.7	30.7	33.3	32.9
Veterans benefits	26.4	27.0	28.6	27.4
Transportation	28.1	27.6	26.3	28.3
Agriculture	31.4	29.0	21.2	28.6
International affairs	14.2	13.6	14.8	16.1
Natural resources	13.6	14.3	14.8	15.1
General science	9.0	9.6	11.6	11.1
Justice	6.6	8.2	9.3	9.4
General government	6.1	7.0	7.0	7.2
Community development	7.5	6.0	5.4	6.6
Commerce, Housing credit	4.4	8.5	7.5	7.8
Energy	4.7	3.7	3.4	4.6
Revenue sharing	6.4	1.6	1.5	1.8
Interest	136.0	139.6	144.7	139.3
Allowances	0.0	0.0	0.7	– 0.7
Offsetting receipts	– 33.0	– 37.2	– 45.3	– 47.9

ECONOMIC ASSUMPTIONS OF THE BUDGET

GNP				
Current Dollar	**$4,218**	**$4,491**	**$4,830**	**$4,779**
Constant (1982) Dollar	**3,681**	**3,811**	**3,936**	**3,898**
Percent change in				
Current dollar	5.5%	6.1%	7.5%	6.9%
Constant (1982) dollar	2.7	2.6	3.3	3.0
Implicit price index	2.8	3.3	4.1	3.8
Consumer price index	1.6	3.6	4.4	4.3
91-Day T bill rate	6.0	5.7	5.5	5.6
Unemployment rate	6.9	6.2	5.9	6.5

Money Supply and Monetary Growth Targets


Billions of Dollars
Seasonally Adjusted
Ratio Scale
Non Financial Domestic Debt: Outstanding Market Debt of Government and Nonfinancial Business
Annual Growth Rate from Apr. through Oct. 11.4%
(Federal Reserve's 1987 Target Growth Rate is 8-11%
Annual Growth Rate from Apr. through Oct. 3.5%
(Federal Reserve's 1987 Target Growth Rate is 5.5-8.5%
M2: M1 plus time and savings deposits
Annual Growth Rate from Apr. through Oct. 2.5%
M1: Demand deposits plus currency
Annual Growth Rate from Apr. through Oct. 5.6%
Monetary Base: Currency plus bank deposits at Federal Reserve
Percent
Not Seasonally Adjusted
Federal Funds Rate
A S O N D J F M A M J J A S O N D J F M A M J J A S O N D J
1985
1986
1987
1988

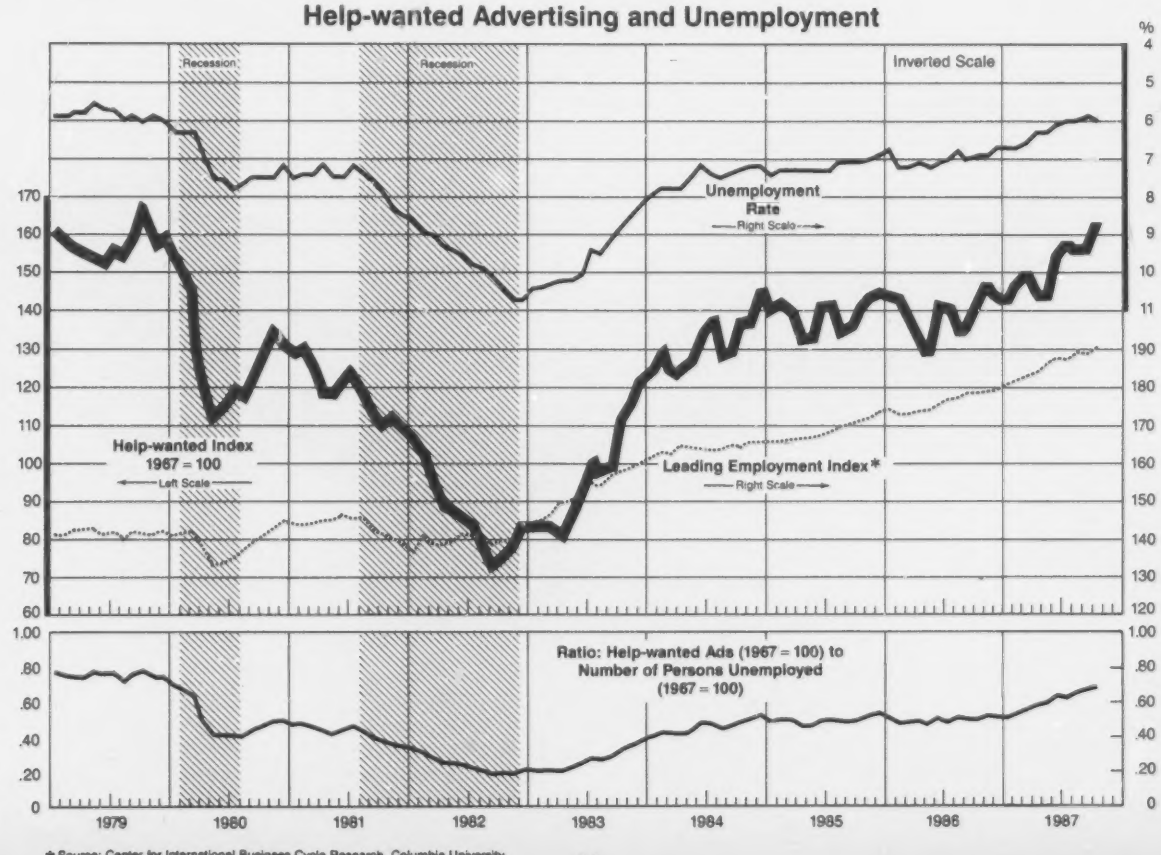
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEX

Seasonally Adjusted Indexes, 1967 = 100

Locality	1987 Sep.	1987 Aug.	1987 Jul	1986 Sep.
National Index	154	155	158	135
New England	169	172r	186	165
Boston	167	172r	184	170
Hartford	190	186	195	181
Providence	158	161	181	133
Middle Atlantic	91	92	95	80
Albany	288	262	300	182
Allentown	352	372	385	249
New York	68	67	66	68
Philadelphia	76	81	88	68
Pittsburgh	84	95	95	76
Rochester	86	88	94	76
Syracuse	146	152	162	134
East North Central	100	107	105	90
Chicago	115	120	120	101
Cincinnati	143	165	157	136
Cleveland	62	74	75	60
Columbus	171	186	187	157
Dayton	80	86	85	75
Detroit	54	59	57	57
Gary	167	174	150	119
Indianapolis	109	109	114	98
Milwaukee	85	81	83	63
Toledo	129	130	124	113
West North Central	95	96	95	90
Kansas City	135	126	140	147
Minneapolis	90	91	87	75
Omaha	143	165	140	120
St. Louis	62	66	64	62
South Atlantic	208	208r	239	183
Atlanta	272	268	279	252
Baltimore	241	207	345	218
Charlotte	197	204	202	158
Jacksonville	234	248	254	211
Miami	N.A.	156r	151	98
Richmond	150	159	167	124
Washington, D.C.	183	199r	208	173
East South Central	166	173	183	138
Birmingham	169	172	176	141
Knoxville	278	277	263	217
Louisville	84	94	99	75
Memphis	139	154	145	120
Nashville	226	231	284	184
West South Central	167	170	170	146
Dallas	144	147	153	152
Houston	237	252	238	195
New Orleans	106	115	123	93
Oklahoma City	101	111	122	93
San Antonio	127	133	138	137
Tulsa	209	133	139	105
Mountain	308	305	308	272
Denver	201	213	211	169
Phoenix	430	406	407	394
Salt Lake City	343	343	355	298
Pacific	256	245	231	210
Los Angeles	172	171	157	149
Sacramento	464	450	452	383
San Bernadino	N.A.	284r	268r	237
San Diego	618	548	533	468
San Francisco	266	253	239	214
Seattle	252	248	224	215
Percentage of papers with rising volume	33	39r	55r	35
Unemployment rate	5.9	6	6	7

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised N.A.—not available

Help-wanted Advertising and Unemployment



* Source: Center for International Business Cycle Research, Columbia University

CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1985 = 100
(Seasonally Adjusted)

Consumer Confidence Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1984	103.9	101.0	101.1	106.1	104.8	105.8	100.4	103.1	100.0	99.1	105.4	97.0
1985	102.0	103.1	96.1	104.4	99.6	102.6	103.2	100.9	96.0	96.1	98.1	98.2
1986	96.9	96.0	95.1	100.0	100.2	100.0	97.5	91.7	89.7	85.9	89.7	93.2
1987	85.4	91.8	95.8	97.4	103.0	102.1	105.8	110.7	115.7r	115.1r	98.3p	

Buying Plans Index

1984	99.2	98.0	90.7	98.6	102.5	104.9	89.5	95.5	83.5	92.7	96.0	91.9
1985	100.7	98.7	98.4	97.4	89.5	96.3	93.1	98.4	107.3	110.3	101.2	108.8
1986	104.5	104.4	103.1	124.7	109.0	111.3	107.2	108.2	105.3	98.8	93.0	103.6
1987	98.9	93.1	98.7	89.7	113.4	94.5	96.0	96.5	108.7r	104.9r	91.6p	

Confidence Index measures consumer optimism in appraising economic conditions. Buying plans Index is based on intentions to purchase cars, homes, appliances. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc.

p—preliminary

Consumer Confidence and Expectations

CBDB

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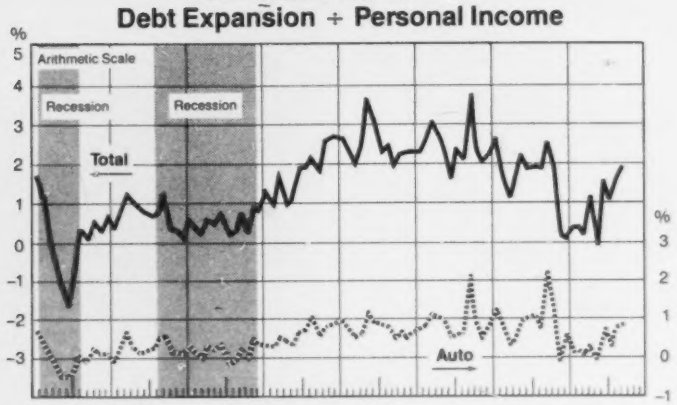
Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales

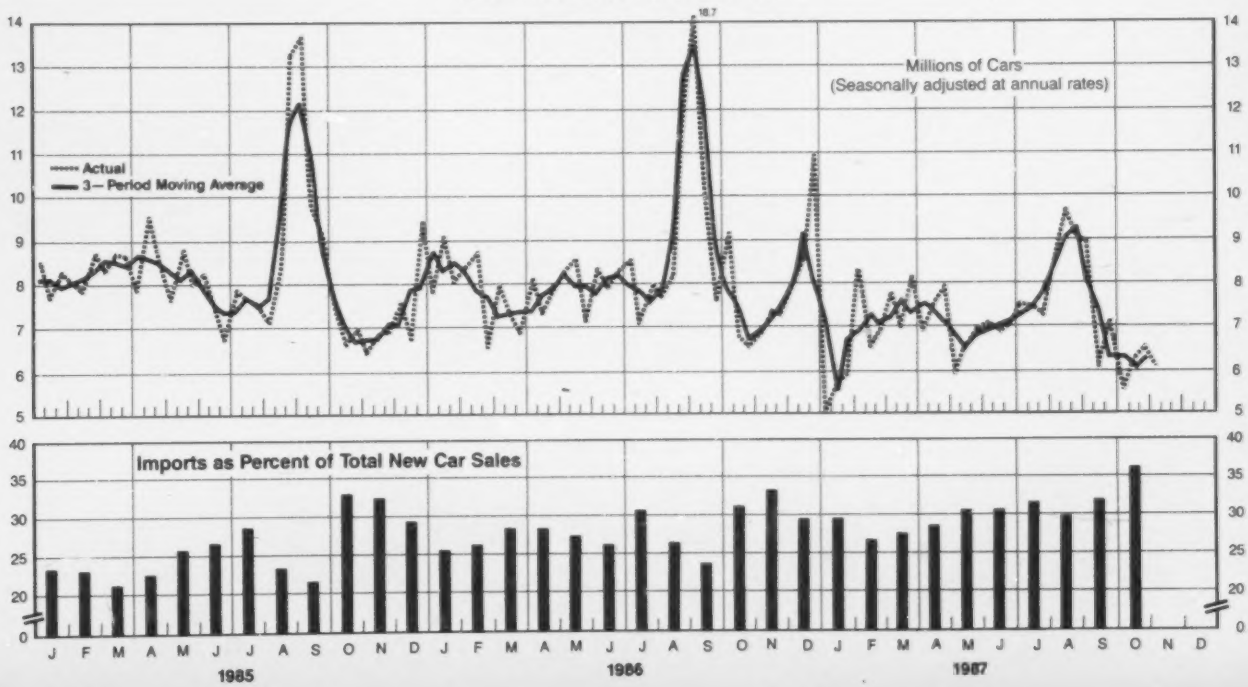
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

Periods		1984	1985	1986	1987
January:	1-10	8.16	8.46	7.76	4.78
	11-20	7.84	7.66	9.05	5.71
	21-31	9.15	8.23	8.02	5.95
February:	1-10	7.79	8.01	8.36	8.26
	11-20	9.17	7.84	8.71	6.46
	21-28(29)	7.60	8.69	6.47	6.87
March:	1-10	7.35	8.27	7.93	7.76
	11-20	8.13	8.73	7.23	6.95
	21-31	7.35	8.67	6.81	8.13
April:	1-10	8.88	7.84	8.06	6.85
	11-20	7.96	9.48	7.25	7.52
	21-30	8.60	8.42	7.92	7.89
May:	1-10	8.19	7.60	8.30	5.93
	11-20	7.74	8.78	8.57	6.44
	21-31	8.43	7.96	7.09	6.96
June:	1-10	7.22	8.21	8.27	6.95
	11-20	8.25	7.51	7.84	7.03
	21-30	8.10	6.71	8.30	7.45
July:	1-10	9.51	7.81	8.50	7.42
	11-20	8.32	7.63	7.03	7.29
	21-31	8.59	7.57	7.96	8.53
August:	1-10	7.33	7.09	7.64	9.60
	11-20	8.07	8.30	8.19	9.03
	21-31	7.43	13.23	11.65	8.99
September:	1-10	8.13	13.64	18.67	6.09
	11-20	8.52	9.70	9.87	7.09
	21-30	6.03	9.10	7.58	5.54
October:	1-10	7.83	7.40	9.07	6.22
	11-20	7.07	6.57	6.72	6.48
	21-31	7.70	6.92	6.51	6.08
November:	1-10	6.60	6.40	6.80	
	11-20	8.44	6.81	7.32	
	21-30	6.57	6.91	7.23	
December:	1-10	8.75	7.56	7.95	
	11-20	7.96	6.69	8.54	
	21-31	8.19	9.31	10.93	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic—Model Car Sales


18.7
Millions of Cars
(Seasonally adjusted at annual rates)
Actual
3—Period Moving Average
Imports as Percent of Total New Car Sales
J F M A M J J A S O N D J F M A M J J A S O N D J F M A M J J A S O N D
1985
1986
1987